

NOTICE OF INTENT

Office of the Governor
Division of Administration
Louisiana Charter School Start-Up and Expansion Loan Fund
(LAC 4:XXV.Chapter 1)

The Division of Administration announces its intention to adopt its Louisiana Charter School Start-Up Loan Fund (R.S. 17:4001 et seq.).

This rulemaking adds Title 4, Part XXV, Chapter 1: Louisiana Charter School Start-Up Loan Fund Program rules to implement provisions of the Act 413 of the Louisiana 2025 Regular Session.

Title 4

ADMINISTRATION

Part XXV. Louisiana Charter School Start-Up and Expansion Loan Fund

Chapter 1. Louisiana Charter School Start-Up and Expansion Loan Fund

§101. Definitions

A. For the purpose of this Chapter, the following shall mean:

Annual Report—submitted to the Louisiana legislature by the division of administration describing fund activities of the prior fiscal year.

Applicant—eligible charter school, or an affiliated supporting organization of an eligible charter school as defined in Section 509(a)(3) of the Internal Revenue Code, or an eligible charter school's wholly owned, nonprofit corporation real estate entity applying for a loan for the benefit of an eligible charter school who is not already a loan recipient as defined in this chapter.

Application—completed Louisiana Charter School Start-Up and Expansion Loan Fund application incorporated herein by reference, as defined and developed by the fund administrator, and all other documents required to be submitted to the administrator.

Loan Recipient—applicant for which the fund administrator has approved an application for a loan and who receives a loan from the fund.

Eligible Charter School—existing or new Louisiana public charter school authorized by either a local school board or the State Board of Elementary and Secondary Education pursuant to R.S. 17:3971 et seq.

Eligible Costs—predevelopment and development costs, including, but not limited to, property or site acquisition, feasibility and site studies, design and engineering fees, legal costs, permitting, review, and inspection fees, surveys, utility assessments, financing costs, costs of construction, labor and

materials, construction administration, financing, equipment, demolition, infrastructure, required off-site improvements, and other related project costs as determined by the division of administration.

Fund—the Louisiana Charter School Start-Up and Expansion Loan Fund established in R.S. 17:4001.

Fund Administrator—The Division of Administration pursuant to R.S. 17:4001.

Fund Administrative Costs—the actual costs and expenses associated with the division of administration's...

Fund Manager—organization that may be selected by the fund administrator to manage activities of the fund as may be described by a cooperative endeavor agreement between the two parties.

Loan—maximum principal amount authorized to the borrower from the fund through a loan agreement with the division of administration.

Loan Agreement—the executed evidence of indebtedness of the Applicant to repay the loan from the fund.

Project—the use of funds as described in the applicant's application that meets the criteria for a secured or unsecured loan:

1. For an unsecured loan, a project shall be limited to a request to pay for an eligible charter school's start-up and early operating expenses including consumable instruction materials.

2. For a secured loan, a project may be defined by the acquisition of tangible items such as technology, or equipment, or as a construction project including but not limited to:

- a. land or property acquisition;
- b. facility renovation or material expansion or addition;
- c. material capital repairs, system and life-safety upgrades;
- d. facility abatement; and
- e. construction of a new facility.

Supplemental Reporting Schedule—submitted by borrower and developed by the legislative auditor in accordance with R.S. 24:514(l)(2).

AUTHORITY NOTE: Promulgated in accordance with R.S. 17:4001.

HISTORICAL NOTE Promulgated by the Office of the Governor, Division of Administration, LR 52:

§103. Restricted Use of Funds

A. The monies within the fund shall only be used for the purpose of paying the expenses of fund administration, including but not limited to costs incurred by the fund administrator, fund manager, and for making loans to borrowers for eligible costs associated with establishing or expanding operations and facilities of eligible charter schools.

B. No money lent as provided in this Section may be used to pay prior debts of the nonprofit corporation which formed the eligible charter school, any of the natural persons principally involved in

forming the eligible charter school, or any former or current business or nonprofit venture of any such natural persons for any purchase not related to the creation of the eligible charter school or predevelopment and development costs of the eligible charter school facility, or to pay to members of the immediate family of any such natural persons, or to make any investments. Such administrative costs and expenses shall include, but not be limited to, all costs and expenses incurred by the fund administrator and fund manager.

AUTHORITY NOTE: Promulgated in accordance with R.S. 17:4001.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 52:

§105. Process for Obtaining Loan from the Fund

A. The applicant shall transmit an application to the fund manager. The application shall be in the form established by the fund administrator.

B. Such application should contain the following:

1. name of the applicant and eligible charter school, including:
 - a. name of primary contact for applicant and names of executive leadership and board members;
 - b. physical address;
 - c. mailing address;
 - d. email of chief administrative officer;
 - e. phone number; and
 - f. signed attestation that applicant and applicant's leadership have met the requirements set forth in LAC 28:CXXXIX.503.A.3.a (Bulletin 126 – Charter Schools).
2. articles of incorporation and current bylaws for applicant and eligible charter school;
3. resumes of key staff members (e.g., Chief Executive Officer, President, Operations Manager, Chief Financial Officer, Principal, etc.) of the eligible charter school;
4. current charter contract;
5. current adopted budget of the applicant and eligible charter school (if different than applicant) with projected revenue and expenditures to fiscal year end;
6. financial statements of the applicant and eligible charter school;
7. Multi-year budget projections for at least the five fiscal years beyond the first fiscal year for which the Applicant is applying in the form provided by the fund administrator. Budget projections must include projected enrollment by grade, written budget assumptions, a staffing model, and demonstrate applicant's ability to service loan costs and repay loan;
8. a list of the total amounts outstanding, annual amounts, interest rates, and maturity dates of all existing and anticipated short- and long-term debt obligations of the Applicant and eligible charter school;

9. a list of historical, current, and anticipated future funding through private contributions, state, or federal grant awards;
10. a list of assets not identified in financial statements;
11. sources of funds, security and collateral, and evidence of ability to repay the loan requested;
12. schedule for completion of the project in form provided by the fund administrator, including timeline for design, permitting, bidding, financing (if other sources required), construction, and first day of school;
13. the estimated cost of the project, including a detailed sources and uses table in the form provided by the fund administrator identifying all eligible costs of the loan;
14. the plan or process for procurement of each use provided above in accordance with public bids for the erection, construction, alteration, improvement, or repair of a public facility or immovable property pursuant to R.S. 17:3996(B)(19); and
15. the requested maximum principal amount of loan as a per-pupil funding request.

C. The fund manager in its review and approval of the application shall ensure all financial and project information is included in the application.

D. Upon acceptance of the application, the fund manager will review the application with the applicant.

E. Prior to beginning diligence and underwriting, the fund manager will review the application with the department of education. The department of education will provide any available reports to the fund manager including back-ground checks, and the applicant's most recent Fiscal Risk Assessment and Annual Review Report demonstrating the eligible charter school's most recent academic, financial, and organizational performance ratings.

F. Upon satisfactory review of the reporting provided by the department of education, the fund manager will begin diligence and underwriting of the application. Once concluded, the fund manager will provide a credit recommendation describing the type of loan, its security, collateral, maximum principal amount, and other loan terms to the fund administrator for review and approval.

G. Upon approval from the fund administrator, the fund administrator shall execute a loan agreement with the fund applicant containing the details set forth in the application.

H. Payments from the fund shall be made by the fund administrator in a lump sum to the fund manager in accordance with the loan agreement. The fund manager will then make advances to the loan recipient as described in the loan agreement. Such payments shall not exceed the maximum principal amount as established in the loan agreement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 17:4001.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 52:

§107. Loan Conditions and Repayment

A. Each loan shall be evidenced by a loan agreement on a form prescribed and approved by the division. The loan agreement shall include:

1. the term of the loan which shall not exceed the term of that current charter agreement;
2. the repayment schedule of the loan which shall be repaid through monthly principal and interest payments directly to the fund administrator. The division shall credit any payments received to the fund for additional lending under this Chapter;
3. the interest rate and amortization of the loan which shall be established by the division at the time of approval and shall be an interest rate that is at least one hundred basis points less than the US Prime Rate, as published in the 'Money Rates' section of The Wall Street Journal; and
4. financial reporting requirements which shall include quarterly financial statements and the supplemental reporting schedule as mandated in R.S. 24:514(l)(2) as part of its annual financial reporting to the legislative auditor pursuant to R.S. 24:513 et seq.

B. In the event of default, the division may enforce escalation and repayment subject to the terms of the loan and intercreditor agreement, as applicable.

C. If the charter agreement of an eligible charter school is revoked or the eligible charter school ceases to operate prior to repayment of the loan, all cash assets, equipment, property, facilities, or other physical assets purchased or constructed exclusively with loan funds shall be transferred to the division.

D. In the event a loan made to an eligible charter school whose charter agreement is revoked or who ceases to operate prior to repayment of the loan is a subordinate loan, the division will recapture assets acquired by loan proceeds according to the intercreditor agreement between the division and senior lender.

E. In the event a loan made to an eligible charter school whose charter agreement is not renewed by its Authorizer or who announces plans to cease operations prior to full repayment of the loan is an unsecured loan, the division may direct the department of education to withhold future minimum foundation payments to repay the loan.

F. The division may by suit, action, mandamus, or other proceedings, protect and enforce any covenant relating to and the security provided in connection with any indebtedness issued pursuant to R.S. 39:1357, and may by suit, action, mandamus, or other proceedings enforce and compel performance of all of the duties required to be performed by the governing body or officials of any political subdivision hereunder and in any proceedings authorizing the issuance of the loan agreement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 17:4001.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 52:

§109. Fund Reporting

A. The fund administrator shall submit the annual report to the legislature, on or before December thirty-first, relative to fund activities for the prior fiscal year, including but not limited to the following:

1. the number of loan applications filed in the preceding year;
2. the number of loans executed in the preceding year, the amounts loaned to each eligible charter school, and the total amount of loan funds expended in accordance with the provisions of this Section;
3. the collection rate of the loans;
4. the balance of the fund at the time such report is submitted and the viability of the fund at that time; and
5. an evaluation of financial accountability measures and the effectiveness of the loan program.

AUTHORITY NOTE: Promulgated in accordance with R.S. 17:4001.

HISTORICAL NOTE: Promulgated by the Office of the Governor, Division of Administration, LR 52:

Family Impact Statement

The proposed Rule has no known impact on family formation, stability, or autonomy, as described in LSA-R.S. 49:972.

Poverty Impact Statement

The proposed rulemaking will have no impact on poverty as described in LSA-R.S. 49:973.

Small Business Analysis

The proposed Rule will have no adverse impact on small businesses as described in LSA-R.S. 49:965.2 et seq.

Provider Impact Statement

The proposed Rule will have no adverse impact on providers of services for individuals with developmental disabilities as described in HCR 170 of 2014.

Public Comments

Interested persons may submit written comments on the proposed changes until 4:30 p.m., May 10, 2026, by email to connor.boldt@la.gov or to Connor Boldt, Special Assistant to the Commissioner of Administration, P. O. Box 94095, Baton Rouge, LA 70804.

Bryan McClinton
Deputy Commissioner

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

RULE TITLE: Louisiana Charter School Start-Up and Expansion Loan Fund

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rules may increase state governmental expenditures for the Division of Administration (DOA), though this is dependent upon increased activity for the Charter School Start-Up and Expansion Loan Fund ("fund"). Expenditure increases would be offset over time and likely net to zero as a result of loan repayments (see Part II). The primary driver of increased expenditures would be disbursements of loans to qualifying charter schools from the fund, though this can only occur to the extent resources are available and would be offset as loans are repaid by recipients.

Administrative costs for DOA associated with an increase in fund activity will be absorbed utilizing existing resources. DOA may also potentially realize increased expenditures associated with legal actions in the event a loan recipient defaults or loses their charter, though any increases associated with this are speculative, and may be offset by asset seizure (see Part II).

The proposed rules may increase expenditures for local governmental units who operate charter schools seeking and receiving loan funds (see Part II) that further capitalize new charter schools or allow existing ones to make qualifying expenditures as part of the loan program. Any loan funds received by such charter schools would have to be repaid with interest per loan agreements, which may increase net expenditures for such schools. Furthermore, to the extent schools default on loan agreements, lose their charters, or cease to operate, they may have any remaining assets transferred to DOA per the proposed rules, though this is presently speculative and cannot be quantified.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rules may increase revenues in the Charter School Start-Up and Expansion Loan Fund to the extent loan recipients repay their loans with additional interest per loan agreements, which is allowed in the proposed rules. The extent of such increases is unknown and dependent upon the number of loans awarded, as well as the loan terms and interest rates.

Furthermore, in the event schools default on loan agreements, lose their charters, or cease to operate, they may have any remaining assets transferred to DOA per the proposed rules, including cash assets, though this is presently speculative.

The proposed rules may result in an immediate revenue increase for loan recipients operated by local governmental units, though these would have to be repaid over time and likely result in a net expenditure increase (see Part I).

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NON-GOVERNMENTAL GROUPS (Summary)

Not applicable, LA R.S. 17:4001 limits uses of the fund to public charter schools, private schools are not affected by the proposed rules.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

Existing charter schools receiving loans from the fund may realize a competitive advantage over those who do not, as secured loan proceeds may be used by charter schools to assist in several areas, such as property acquisition, facility renovations/expansions, capital repairs and upgrades, facility abatement, and new facility construction. Furthermore, new charter schools may realize an advantage to the extent unsecured loans allow them to more quickly enter and compete against new and existing schools. However, the increase in competitive advantage cannot be quantified and is presently speculative, as it is unknown which schools will receive loans, whether or not said loans will be secured or unsecured, and the competition each school will face.

Bryan McClinton
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Division of Administration

Patrice Thomas
Deputy Fiscal Officer
Legislative Fiscal Office